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**International Conference
on Financing for Development**

**Monterrey, Mexico
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Agenda item 10 (c)

Summit segment: summit round tables

Summaries of multi-stakeholder round tables

Note by the Secretariat

Addendum

**Summit round table C.1, on the theme "International
Conference on Financing for Development: looking ahead"**

Thursday, 21 March 2002 (afternoon)

Summary by the Co-Chairs

Guy Verhofstadt, Prime Minister (Belgium)

José María Aznar López, Prime Minister (Spain)

James Wolfensohn, President of the World Bank

1. Our perception is that in building up to the International Conference on Financing for Development, the international community has created the political space for unprecedented dialogue among all relevant stakeholders on financing for development. Certainly, the dialogue has not yet solved the key concerns of policy makers or policy advocates. However, we have seen actions on some issues that go beyond what only recently were called "the narrow limits of the possible". The Monterrey Conference has been a process of convergence, albeit far from complete.

2. Today, multiple stakeholders have managed to hold a rich discussion of their respective priorities, prescriptions and concerns. Heads of State and other senior policy makers, along with stakeholders from intergovernmental organizations, the private sector and civil society organizations, have been able to focus on priorities for advancing private and official financing for development and on conditions for effectively "staying engaged".

Private resources and investment

3. For private investment to play its role in development, an enabling environment is essential. Well established property rights are seen as indispensable



for productive private investment and fully mobilizing domestic resources. However, the practical institution of effective property rights for all people, especially the poor, could be a long and complex process.

4. Some speakers noted that investment incentives need to be carefully designed. They may reduce risk for certain undertakings but should not completely insulate private investors from risk. It was suggested that sovereign guarantees of foreign investment be the exception and not the rule. Otherwise, they could lead to irresponsible investor behaviour and budgetary losses. Increasing information flows to investors, such as through an Internet-based clearing house, is a promising avenue of support of private investment.

5. Several speakers considered that neither private nor official investors will undertake some types of essential investments, such as large infrastructure projects, on their own. They suggested that official development assistance (ODA) continue to finance infrastructure investments, including co-financing with private investment, such as for water supply projects for the benefit of the poor. Important benefits are seen in the participation of users in the operation and maintenance of infrastructure facilities after they are built. It was also stressed that collaboration between the public and private sectors should be performance-oriented and accompanied by mutual accountability and transparency.

6. It was further stressed that other types of alliances between the public and private sectors could work successfully. Examples were given of successfully applying advanced information technology to assist developing countries in increasing education in Latin America. Public-private alliances are also helping poor communities to improve health care.

7. Participants noted a growing tendency of multinational corporations to make their operations in emerging markets more transparent and socially responsible, reflecting the changing demands of institutional shareholders, such as pension funds, as well as awareness by many corporations themselves of the need to change the ways they do business. In addition, government policies in developed countries towards the foreign behaviour of their multinational enterprises have been changing, albeit with a lag, and some speakers sought further progress in that area.

Public resources and investment

8. Several speakers noted that the commitment to the millennium development goals have imposed fundamental responsibilities on Governments. Investing in people — including in education, health, basic social infrastructure and social security programmes — is vital for overcoming poverty. It is also a very productive investment for economic growth. However, sustained government stewardship over those investments is required for efforts in those areas to be effective.

9. Several participants pointed out that the current substantial gap between external financing levels and needs puts at risk the success of the New Partnership for Africa's Development. A number of speakers stressed that adequate international attention is also required to combat poverty in the developing countries of Asia, Latin America and the Pacific.

10. ODA is recognized as an essential complement to domestic resources in the effort to reach the millennium development goals. ODA, when properly and effectively used and guided primarily by the needs of developing countries, can have

a major impact, as illustrated by some speakers, who gave examples of countries moving from recipient to donor status. Both the quantity and quality of ODA are critical. The Monterrey Conference has clearly focused on both, and has already produced some concrete results. Recent donor initiatives to significantly increase ODA levels, while steps in the right direction, are felt to be insufficient and calls were made for additional support. Several speakers also stressed the need to enhance ODA effectiveness through the efforts of donors and recipients and such measures as untying of aid, improved donor coordination and increased country ownership. Several speakers emphasized that capacity-building is essential for long-term sustainability. Some of the expenditure on armaments could be usefully utilized for development purposes.

11. Debt relief is also seen as holding the potential to release essential resources for poverty eradication and sustainable human development. The enhanced initiative for the heavily indebted poor countries has provided some progress, but there were also calls for further efforts to relieve developing countries of their unsustainable debt burden, including streamlining debt-relief mechanisms and strengthening the relationship between debt relief and development programmes. The United Nations and the Bretton Woods institutions were called upon to explore new approaches, such as collective debt cancellation by groups of countries and revised criteria for debt sustainability. There is also interest in developing the proposals for a new sovereign debt restructuring mechanism.

12. It was also suggested that innovative sources of financing, such as environmental taxes and taxes on currency transactions, be seriously considered, particularly in support of global public goods. In addition, it was suggested that the 1997 International Monetary Fund agreement for a special equity allocation of special drawing rights be implemented now. Moreover, significant efforts should be made to track down illicitly transferred public funds and repatriate them, within the context of a coordinated effort to combat corruption, including through an international convention on corruption.

Staying engaged

13. Many speakers wanted to capitalize on the positive spirit of the Monterrey Conference. Key concepts in the new dynamic between North and South are partnership, solidarity and good governance. Democracy, the rule of law, accountability, transparency and the fight against corruption are considered essential prerequisites for financing for development.

14. Ways were suggested to nurture and maintain the spirit of the Monterrey Conference for an effective follow-up to the Conference. A common interest in that regard is to turn the concept of mutual accountability into concrete practice at the international as well as at the national level.

15. According to several speakers, a first step at the international level is to institute frank and timely monitoring of the implementation of commitments and further requirements of the key partners in development, including developing countries, donor Governments and multilateral institutions, along with other stakeholders. Such monitoring, it was suggested, should be comprehensive and take a coherent approach to the financing of development. The monitoring of the millennium development goals could also make an important contribution in that regard.

16. The efforts of the United Nations to draw all relevant stakeholders together during the preparatory process to the Monterrey Conference has shown the potential results of close collaboration that should be enhanced in the follow-up to the Conference. It was also suggested that the democratization of global governance could be strengthened by making greater use of regional groupings of countries as intermediate forums to develop proposals and build consensus among Governments on the great challenges of tomorrow.

17. There is a distinct sense that the world must make the effort now, not later, to make the commitments made at Monterrey real in order to strengthen development and finally begin to conquer global poverty. The terrorist attacks of 11 September 2001 have had a profound impact on the world. There is no place to hide. There is no time to lose. We need to instil a sense of urgency in the public on the issue of poverty reduction. In conclusion, it was noted that although all of the stakeholders may not agree on everything there is a strong sense that the overriding objective of poverty reduction is shared by all.



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Note by the Secretariat

Addendum

**Summit round table C.2, on the theme "International
Conference on Financing for Development: looking ahead"**

Thursday, 21 March 2002 (afternoon)

Summary by the Co-Chairs

Thabo Mbeki, President of South Africa

Horst Kohler, Managing Director of the International Monetary Fund

1. There was broad agreement among speakers that the draft Monterrey Consensus marks an important and substantial step towards achieving the millennium development goals. Looking ahead, the challenge is to maintain the momentum and translate those goals and the draft Monterrey Consensus into concrete actions to provide the resources that will produce meaningful results for the world's poor. Even if the resources were to become available, the required results would not necessarily be forthcoming. All stakeholders must assume their share of the responsibility for translating principles and commitment into action, and should do so without delay. It is necessary to solidify progress in the months ahead so that further concrete implementation measures can be agreed upon at the World Summit for Sustainable Development, to be held in Johannesburg in August 2002.

2. One of the underlying principles behind the vision of the draft Monterrey Consensus is that of shared responsibilities and mutual commitment. The developing countries are committing themselves to taking full responsibility for their own development by undertaking structural reforms, with sound policies, good governance, gender mainstreaming, respect for human rights and the protection of the environment as indispensable underpinnings. The international community is committing itself to supporting developing countries' efforts through enhanced



resource flows and a more development-friendly international environment. Such a "two pillar" approach also underpins the New Partnership for Africa's Development.

3. Having developed international consensus on principles, Governments must build within their countries — both developed and developing — the public support necessary to translate their collective vision into action. That would require political leadership — in the developing countries to overcome the many difficulties in undertaking institutional and policy reform, and in the developed countries to develop engagement and solidarity with the developing countries in their efforts to reduce poverty. It would also require a coordinated effort on the part of all stakeholders and all segments of society to support the formulation, implementation and monitoring of development programmes and activities.

4. In the developed countries, the citizenry at large will have to be convinced that development and the reduction of poverty must be matters of concern in national policy, and that addressing those concerns will require resources and structural change. Some participants pointed to the wide support for development in some developed countries in terms of both commitment of resources and willingness to undertake necessary reforms. However, in most cases, particularly in the area of trade liberalization, considerable additional efforts are required for the population to become as aware of the need for change as they are in developing countries.

5. There was general appreciation for the increases in official development assistance (ODA) announced in preceding days, but also concern that total ODA will still fall far below both what is required to ensure that the millennium development goals are met, as well as the longstanding target of devoting 0.7 per cent of the gross national product of developed countries to ODA. Most participants underlined the need to achieve that target; one Minister called for each country to establish a timetable for doing so. It was suggested that such expenditures be regarded as an investment in the future rather than a current cost. The challenges of fully financing the heavily indebted poor countries initiative and the United Nations initiative on AIDS, malaria and tuberculosis were highlighted by some participants. A few were disappointed that the draft Monterrey Consensus does not propose the use of other innovative sources of development finance, such as issues of special drawing rights and various forms of international taxation. A few other participants regretted that the draft Consensus did not address global public goods and indicated that they would be pursuing the matter in other forums.

6. It was emphasized that ODA is only one component of the developed countries' contribution to development, and that other elements should be not only consistent but complementary and reinforcing. Particular attention was focused on the impediments to growth and poverty reduction created by the trade barriers and subsidies of developed countries. It was pointed out that, if such measures were abolished, developing countries could realize far greater revenue than they would receive in ODA. It was incumbent on developed countries to remove such impediments to growth, particularly for the poorest countries.

7. External debt was viewed as another major constraint to achieving the millennium development goals in many countries, particularly the least developed countries. Some participants emphasized the need for additional measures to deal with the external debt problem. Reduced debt service obligations are considered to be crucial for being able to allocate additional domestic resources to anti-poverty purposes, such as health and education. Speakers called for a long-term effort to

vigorously pursue debt relief for countries facing unsustainable debt burdens, with a few advocating full debt cancellation.

8. Several participants elaborated on the potential contribution of the private sector to development and poverty eradication. Developing countries need to create conditions to support entrepreneurship, particularly in small and medium-sized enterprises, including farms, and to encourage private investment, including foreign direct investment (FDI). Concern was expressed about the low levels of FDI in countries where it is needed most, particularly in Africa. In some instances, countries have made considerable efforts to fulfil the conditions for attracting FDI but have made little impact on flows or the perceptions of risk of investors. A number of participants, however, questioned the value of FDI, saying that it does not always necessarily contribute to development and poverty reduction.

9. The need to develop adequate institutional capacity was noted and the complexities of achieving that objective were highlighted. One speaker pointed out that the institutions that are currently considered to be prerequisites for development arose in industrialized countries as a result and not as a precondition of development. In addition, the level of economic development itself sets the limits to what can be achieved and replicated at the level of institutional development, and the same arrangements are not necessarily optimal for all countries.

10. Some participants also addressed the need to re-examine the representation of developing countries in the international financial institutions and the need for better gender balance.

11. The process leading to the Monterrey Conference was based on a new partnership, involving dialogue and consultations, and enhanced transparency and sharing of information among the various development partners and stakeholders, all of which contributed to trust and consensus building. Participants welcomed the improved cooperation among the various multilateral organizations that had resulted from the financing for development process. It is imperative to stay engaged and further improve global policy coherence. The preparations for the upcoming Summit in Johannesburg will be part of that process, but the dialogue will also have to be sustained and enriched over the longer term. Some participants felt that, in order to enhance policy coherence at the global level, the international community should continue its efforts to improve global governance. Regional consultative mechanisms could contribute to this process.

12. It was recognized that the draft Monterrey Consensus will require an effective monitoring system to follow up on the commitments by countries, international institutions, the business sector and civil society to ensure that the millennium development goals are achieved by 2015. There was support for the establishment of a formal mechanism for that purpose, and it was suggested that that could be a responsibility of the United Nations, in full and active cooperation with the International Monetary Fund, the World Bank, the World Trade Organization and other stakeholders. It was stressed, however, that such an exercise should not be accusatory but rather a means for all stakeholders to monitor and evaluate their own contributions and exchange views.